Asset Forfeiture and Money Laundering

Asset Forfeiture

The Postal Inspection Service uses asset forfeiture laws to combat financial crimes, as well as drug trafficking and child exploitation conducted through the mail. In FY 2002, the USA Patriot Act expanded the government's money laundering and asset forfeiture authority.

President Bush signed the act, formally titled "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot) Act" on October 26, 2001. Also referred to as "the Anti-Terrorism Act," it made sweeping changes to the criminal laws related to wiretapping and electronic surveillance and contained a number of provisions related to money laundering and asset forfeiture that are useful to prosecutors in terrorism cases and in a broad range of other areas.

Forfeiture activity by Inspectors this fiscal year netted $6.7 million. The Postal Inspection Service also equitably shared $11.4 million with other federal, state, and local law enforcement agencies.

Key forfeiture provisions include these portions of the act:

- 18 USC 981 was amended to authorize civil and criminal forfeiture of all assets, foreign or domestic, of any individual or organization engaged in terrorism or terrorist activity.
- The act of smuggling currency into or out of the United States was made a criminal offense, and all property involved in such an offense is subject to civil and criminal forfeiture.
- 18 USC 1960 was expanded to cover licensed businesses that transmit funds when the defendant knows they were intended to be used for an unlawful purpose; civil forfeiture for Section 1960 offenses was also authorized.
- Additional foreign crimes, including public corruption, were added to the definition of "specified unlawful activity" for money laundering offenses,; and civil and criminal forfeiture of both the proceeds from and the property used to facilitate such offenses was authorized.
- The government is now authorized to seize and forfeit money in U.S. correspondent accounts of foreign banks if the funds forfeitable under U.S. law were deposited into an account in the foreign bank overseas.
- The U.S. Attorney General was authorized to serve administrative subpoenas on foreign bank accounts for records related to foreign transactions.

The act also contained expanded money laundering and forfeiture authority in a number of minor areas. The bill authorizes civil and criminal forfeiture for conspiracies to commit Title 31 currency reporting offenses, and possibly for failure to file a Form 8300 report; expands the government's civil enforcement authority under 18 USC 1956(b); authorizes courts in criminal forfeiture cases to order a defendant to repatriate assets to the United States; expands the fugitive disentitlement doctrine, 28 USC 2466, to apply to corporate claimants; and expands the courts' authority under 28 USC to enforce foreign forfeiture judgments, including foreign restraining orders.

Postal Inspectors seized 661 assets and secured 428 forfeitures in FY 2002. Forfeiture activity by Inspectors this fiscal year netted $6.7 million. The Postal Inspection Service also equitably shared $11.4 million with other federal, state, and local law enforcement agencies. Following are examples of Postal Inspection Service asset forfeiture cases from FY 2002.

Beginning in 1989, San Diego Postal Inspectors investigated a cross-border mail order business run by a couple over a 15-year period. The man had been the subject of Postal Service administrative actions and Inspection Service criminal investigations since the early 1980s. Inspectors determined that, from the late 1980s until 1998, the couple sold such products as Live Cell Therapy (a “life extension” and “cure” for numerous diseases, including brain disorders), Energy Complex (a “cure” for impotence), and Neutralizer GH (a “cure” for obesity). Promotional literature claimed the products were “banned in the U.S.” and “sold only in Mexico,” but Inspectors determined they were actually multipurpose vitamins purchased in Southern California. The couple also failed to honor their “100 percent money-back guarantee” for dissatisfied customers. People lost more than $6 million to the pair, who used victims’ money to purchase personal luxuries, including two homes in California—one in Newport Beach valued at more than $2 million, and another in Palm Desert worth $565,000.

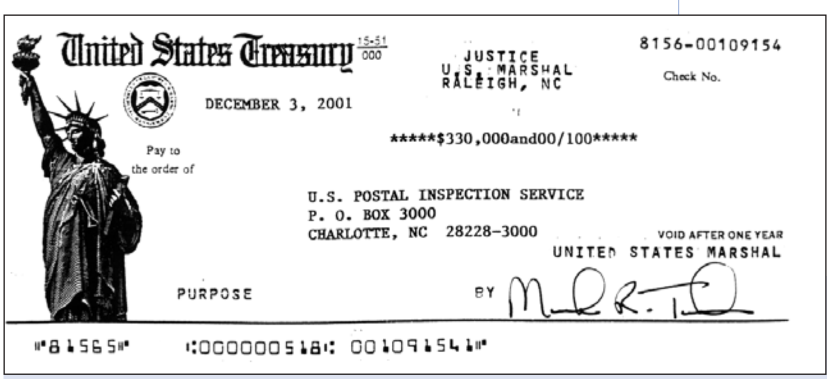
After signing a plea agreement in October 2001, the man was sentenced on May 23, 2001, to 33 months in prison and three years’ probation and was ordered to forfeit to the United States either $1.5 million or his two homes and a 1998 Maxum yacht; he was also ordered to pay to his victims half of the $69,781 he scammed from them (the other half will be paid by his wife), a criminal fine of $7,500, and any unpaid taxes to the Internal Revenue Service. He failed to produce the $1.5 million, however and, in November 2001, the United States filed quit-claim deeds and complaints for forfeiture and declaratory relief on the properties. On December 13, 2001, Postal Inspectors seized the yacht under federal warrant.

Money Laundering

Because the Postal Service is considered a non-bank financial institution and a money services business, it must comply with the reporting requirements of the Bank Secrecy Act (BSA). The Postal Inspection Service supports the Postal Service’s BSA compliance efforts by analyzing postal money order transactions and investigating criminals who use them and other postal financial products to launder illicit proceeds and avoid federal reporting requirements. Beginning in 2002, the Postal Inspection Service joined Operation Green Quest, a multi-agency task force headed by U.S. Customs that identifies and disrupts terrorist funding sources.

Illicit proceeds may include money gained through narcotic sales, the smuggling of illegal aliens, tax evasion or the selling of counterfeit merchandise. Following are examples of money laundering cases investigated by Postal Inspectors during the past fiscal year.

- Postal Inspectors from the Rocky Mountain Division and agents from the Arizona Joint Terrorism Task Force arrested an Iranian national on October 5, 2001, for conducting an illegal money transmitting business and violating the International Emergency Economic Powers Act and money laundering laws. While the indictment and arrest of the defendant are not the direct result of the terrorist attacks of September 11, 2001, information developed during the investigation is being analyzed to identify possible links between the man and those responsible for the attacks. The indictment alleges the defendant owned, operated, and controlled several businesses involved in illegal financial activities. From January 1997 through October 2001, he allegedly transferred more than $19 million to the Islamic



A task force of Postal Inspectors from the Mid-Atlantic Division investigated a North Carolina Department of Transportation employee who used his position to influence state projects, resulting in substantial property value increases to property he owned. A forfeiture check in the amount of $330,000 was presented to the Postal Inspection Service, representing its equitable share of the $1 million forfeiture.

Republic of Iran.

■ A multi-agency task force that included Postal Inspectors from the North Jersey/Caribbean Division arrested four men in November 2001 on charges of money laundering, and one of the group was also charged with mail fraud. Investigators alleged the men laundered more than $2.9 million in fraudulently obtained Medicaid and Medicare proceeds through shell companies, third-party entities, bank accounts, and investment accounts. At least 96 structured purchases of Postal Service money orders and bank money orders were allegedly deposited into one man's investment account. Illegal proceeds were said to be obtained through the operation of a pharmacy in Newark, New Jersey, owned by two of the defendants. They are alleged to have submitted more than $2.5 million in false and fraudulent claims to Medicaid and Medicare for prescription medications that were neither purchased nor dispensed and used two pharmacies to submit another $480,000 in fraudulent Medicare claims. Investigators noted that several of the Medicaid recipients were deceased at the time they allegedly made purchases at the pharmacies.

In a case investigated by Postal Inspectors in the past fiscal year, a company sought investments from people who won large settlements in personal injury suits. The company's owner used investors' money to fund a grocery store venture (which failed) and to purchase luxury items for his own use. He pled guilty to conspiracy charges just before his wife pled guilty to related charges. The husband was ordered to pay $66 million in restitution to victims, but lawyers familiar with the case said it is unlikely anywhere near that amount of money will be available. The couple fled to Belize, Central America, to avoid prosecution and to protect their assets. Midwest Division Inspectors and the Postal Inspection Service's Office of Counsel worked with the U.S. Attorney's Office of the Southern District of Illinois to apply the USA Patriot Act in the seizure of more than $1.6 million of the couple's funds from Hibernia Bank (funds of the Provident Bank and Trust of Belize), a U.S. correspondent bank. The funds had originally been deposited to a bank in Belize. The couple's 67-foot, 1979 Berger yacht was seized by U.S. Marshals on January 8, 2002, and transported to Ft. Lauderdale, Florida, where it was sold through an interlocutory sale that allows for the disposal of seized property that is either expensive to maintain or highly perishable.

■ Two Russian nationals pled guilty on May 30, 2002, after they were arrested by Postal Inspectors from the Northeast Division in February 2002 on money laundering charges. Inspectors found numerous stolen items, including unnegotiated Postal Service money orders. An analysis of the money orders disclosed a clear pattern of structured purchases made at 27 post offices across the United States. The aggregate value of the money orders is $77,700.

■ Postal Inspectors from the Northeast Division also participated in an investigation of a suspect in Fort Ann, New York. The man bought more than $50,150 in postal money orders in structured purchases, deposited them into his industrial-waste business account, and used the funds to purchase a condominium in Ft. Pierce, Florida. The suspect had previously been arrested on drug trafficking charges and, while out on bail, liquidated many of his assets and fled the country. He was living in Israel when he alerted American authorities of his desire to return to the United States and cooperate. He appeared in court and pled guilty on April 24, 2002, to a two-count information charging him with narcotics and money laundering violations.

■ Postal Inspectors arrested a New York man on July 3, 2002, for purchasing 267 postal money orders—worth $185,284.46—from 18 postal facilities to avoid federal reporting requirements. The investigation revealed the defendant deposited the money orders into seven bank accounts he held in Long Island, New York; Dallas, Texas; and Honolulu, Hawaii. During the same period, he made 30 cash deposits totaling $167,064.